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Industrial Development Board

Sixteenth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 22 November 1996, at 5 p.m.

President: Mr. Seung Kon LEE (Republic of Korea)

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The meeting was called to order at 5.10 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.16/L.2-L.19)

1. **The PRESIDENT** said that agenda items 3-16 were still open for the adoption of decisions. A number of draft decisions, most of which had already been discussed in informal consultations, were now before the Board for consideration (IDB.16/L.2-L.19).

2. **Mr. POSTA** (Hungary), speaking as chairman of the informal consultations, informed the Board that consensus had been reached on all draft decisions except that on agenda item 16, ("Provisional agenda and date of the seventeenth session"). The preparatory work carried out prior to the present session had greatly facilitated the drafting exercise.

3. **The PRESIDENT** said that he was submitting the draft decisions approved in the informal consultations to the Board as his drafts.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1995, INCLUDING PROGRESS REPORT ON SPECIFIC ACTIVITIES (*continued*) (IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/26; IDB.16/L.2)

4. **The PRESIDENT** drew the Board's attention to draft decision IDB.16/L.2 on arrangements for the establishment of an international centre for hydrogen energy technologies.

5. *The draft decision was adopted.*

IMPLEMENTATION OF THE REFORM (*continued*) (IDB.16/18; IDB.16/L.15)

6. **The PRESIDENT** drew attention to draft decision IDB.16/L.15.

7. *The draft decision was adopted.*

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) IMPLEMENTATION OF THE PROGRAMME AND BUDGETS, 1996-1997

(b) FINANCIAL SITUATION OF UNIDO

(c) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1994-1995

(d) FINANCIAL REGULATIONS

(e) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

(f) CEILING OF ASSESSMENTS

(g) WITHDRAWAL OF THE UNITED STATES OF AMERICA FROM UNIDO

(*continued*) (IDB.16/2, IDB.16/3, IDB.16/4, IDB.16/5 and Corr.1, IDB.16/6 and Add.1, IDB.16/7, IDB.16/8, IDB.16/9, IDB.16/10 and Add.1 and 2 and corrigendum, IDB.16/21, IDB.16/22, IDB.16/24; IDB.16/CRP.2, IDB.16/CRP.6; IDB.16/L.8-14, IDB.16/L.19)

8. **The PRESIDENT** drew attention to draft decision IDB.16/L.8 on sub-item (a), "Implementation of programme and budgets, 1996-1997".

9. *The draft decision was adopted.*

10. **The PRESIDENT** drew attention to draft decision IDB.16/L.9 on sub-item (b) "Financial situation of UNIDO".

11. *The draft decision was adopted.*

12. **The PRESIDENT** drew attention to draft decision IDB.16/L.10 on the timely payment of assessed contributions, which was also related to sub-item (b).

13. *It was so decided.*

14. **The PRESIDENT** drew attention to draft decision IDB.16/L.11 on UNIDO participation in activities financed by the Multilateral Fund for the Implementation of the Montreal Protocol.

15. *The draft decision was adopted.*

16. **The PRESIDENT** drew attention to draft decision IDB.16/L.19 on sub-item (c), "Report of the External Auditor, financial performance report and programme performance report for the biennium 1994-1995".

17. *The draft decision was adopted.*

18. **The PRESIDENT** drew attention to draft decision IDB.16/L.12 on sub-item (d), "Financial regulations".

19. *The draft decision was adopted.*

20. **The PRESIDENT** drew attention to draft decision IDB.16/L.13 on sub-item (e), "Industrial Development Fund and other voluntary contributions".

21. *The draft decision was adopted.*

22. **The PRESIDENT** said that no draft decision had been submitted on sub-item (f) "Ceiling of assessments". He proposed that the Board take note of the information provided by the Secretariat on the subject in the annotated agenda.

23. *It was so decided.*

24. **The PRESIDENT** drew attention to draft decision IDB.16/L.14 entitled "Implications of United States withdrawal", submitted under sub-item (g), "Withdrawal of the United States of America from UNIDO".

25. *The draft decision was adopted.*

SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (*continued*) (IDB.16/15, IDB.16/16 and Add.1; IDB.16/L.3)

26. **The PRESIDENT** drew attention to draft decision IDB.16/L.3.

27. *The draft decision was adopted.*

INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (*continued*) (IDB.16/13; IDB.16/L.4)

28. **The PRESIDENT** drew attention to draft decision IDB.16/L.4.

29. *The draft decision was adopted.*

FIELD REPRESENTATION (*continued*) (IDB.16/19; IDB.16/L.5)

30. **The PRESIDENT** drew attention to draft decision IDB.16/L.5.

31. *The draft decision was adopted.*

INDUSTRIAL INVESTMENT PROMOTION (*continued*) (IDB.16/11; IDB.16/CRP.5; IDB.16/L.6)

32. **The PRESIDENT** drew attention to draft decision IDB.16/L.6.

33. *The draft decision was adopted.*

MEDIUM-TERM PROGRAMME FRAMEWORK, 1998-2001 (INCLUDING GENERAL CEILING FOR THE BIENNIUM 1998-1999) (*continued*) (IDB.16/23 and Add.1; IDB.16/L.17)

34. **The PRESIDENT** drew attention to draft decision IDB.16/L.17, pointing out that, owing to a printing error, the phrase "without constituting a precedent," had been omitted in subparagraph (e) after the phrase "with a ceiling lower than zero real growth.".

35. *The draft decision, as corrected, was adopted.*

JOINT INSPECTION UNIT (*continued*) (IDB.16/12)

36. **The PRESIDENT** said that no draft decision had been submitted on agenda item 11. He proposed that the Board take note of the information provided by the Secretariat on the subject.

37. *It was so decided.*

UNIDO CONTRIBUTION TO THE SYSTEM-WIDE ACTION PLAN ON DRUG ABUSE CONTROL (*continued*) (IDB.16/14, IDB.16/L.7)

38. **The PRESIDENT** drew attention to draft decision IDB.16/L.7.

39. **Mr. CHAUMY** (Peru), supported by **Mrs. KLEIN BALLESTEROS** (Colombia), referring to subparagraph (f) (ii)(c) of the draft decision, said that the term "narcotic crops" was inappropriate and proposed that it should be replaced by a phrase along the following lines: "crops based on plants some components of which may be used for the preparation of psychotropic substances or narcotic drugs".

40. *It was so decided.*

41. *The draft decision, as amended, was adopted.*

PERSONNEL MATTERS (*continued*) (IDB.16/17; IDB.16/CRP.1; IDB.16/L.16)

42. **The PRESIDENT** drew attention to draft decision IDB.16/L.16.

43. *The draft decision was adopted.*

APPOINTMENT OF MANAGING DIRECTORS (*continued*) (IDB.16/25)

44. **The PRESIDENT** said he took it that the Board wished to include in its report on this item the text that had been agreed on at the previous meeting.

45. *It was so decided.*

PREPARATIONS FOR THE SEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.16/20; IDB.16/CRP.3)

46. **The PRESIDENT** expressed the Board's appreciation of the kind offer made by Colombia to hold the seventh session of the General Conference in Cartagena. Owing to a decision taken by the fifth session of the General Conference, it was unfortunately not possible to accept that offer at the present stage. Should Colombia wish to extend an offer to host the eighth session of the General Conference, it might wish to make that proposal on the occasion of the seventh session.

47. He recalled that, at its preceding meeting, the Board had agreed to the inclusion of a new agenda item entitled "Geographical distribution of Managing Directors" in the tentative provisional agenda for the General Conference.

48. **Mr. AZUMA** (Japan), supported by **Mrs. OK** (Turkey), proposed that an item entitled "Industrial investment promotion" should be included in the agenda for the General Conference.

49. *It was so decided.*

PROVISIONAL AGENDA AND DATE OF THE SEVENTEENTH SESSION (*continued*) (IDB.16/CRP.3, IDB.16/CRP.4; IDB.16/L.18)

50. **The PRESIDENT** drew attention to draft decision IDB.16/L.18.

51. **Mr. FULLAM** (Observer for Ireland), speaking on behalf of the European Union, said that the square brackets placed around sub-item (c) of item 17 of the proposed provisional agenda, which referred to the geographical distribution of Managing Directors, had been requested by the European Union, with the support of many other delegations, who shared the view that the Director-General discharged his responsibilities in accordance with his prerogative to appoint staff, which was fully and adequately covered in article 11, paragraph 5, of the UNIDO Constitution. There was no good reason why the criteria set out in that paragraph should apply in any different manner to the appointment of Managing Directors and there was consequently no basis for including the proposed additional sub-item in the agenda of the Board's seventeenth session.

52. **Mr. AHMADI** (Islamic Republic of Iran) stressed that the proposed additional sub-item referred only to the geographical distribution of Managing Directors and not to their appointment. Furthermore, a distinction needed to be made between the current situation in relation to Managing Directors and the situation prevailing in the Organization before the restructuring process, which was the situation to which the Constitution related. It was worth noting that even after the restructuring process had commenced, the Board had discussed the need for the equitable geographical distribution of Managing Directors, as indicated by decision IDB.13/Dec.2, paragraph (e).

53. Accordingly, in order to clarify those important issues once and for all, it was suggested that they be discussed clearly and openly under the proposed additional sub-item.

54. **Mr. IKEDA** (Japan), supporting the remarks made by the representative of Ireland on behalf of the European Union, said that it was not appropriate, when determining matters to be included on the agenda of the next session of the Board, to single out one of the many different criteria which should be taken into account in appointing Managing Directors.

55. **Mr. HALIM MOHAMED** (Sudan) said that his delegation supported the view expressed by the representative of Iran that the equitable geographical distribution of Managing Directors was essential and could see no objection to treating that subject in isolation as an agenda item if it was a matter of concern to some delegations. However, since only one such appointment was due to be made during the period between the present session of the Board and its next session and since the Director-General had already indicated that he was contemplating filling that post with an African incumbent, he suggested that, for the sake of consensus, an agreement might be reached to withdraw the sub-item from the agenda for the next session of the Board with a view to its possible inclusion at a subsequent session.

56. **Mr. AHMADI** (Islamic Republic of Iran) said that, for the sake of consensus, his delegation could agree to examining the issue at an appropriate time in the future subsequent to the next session of the Board.

57. **The PRESIDENT** invited the Board to adopt the draft decision on the provisional agenda and date for the seventeenth session (IDB.16/L.18) with the deletion of the bracketed sub-item (c) of agenda item 17.

58. *It was so decided.*

ADOPTION OF THE REPORT (IDB.16/L.1)

59. The **PRESIDENT** reminded delegates, in connection with the decision just taken regarding the date of the next session of the Board, about the procedure for appointment of the Director-General for the next term of that office. In accordance with the UNIDO Constitution, the General Conference would, at its seventh regular session, appoint a Director-General for a period of four years upon the Board's recommendation. Under rule 61 of the Rules of Procedure of the Board, a candidate for the post of Director-General should be nominated in writing by his or her Government to the President of the Board. Also under rule 61, all nominations of candidates should be received by the President at the latest two months prior to the opening date of the next session of the Board. Since the dates of the next Board had now been fixed as 23 to 27 June 1997, the deadline for receipt of nominations would accordingly fall on 23 April 1997. Upon receiving the nominations, he would request the Secretariat to circulate the respective candidatures without delay.

60. **Mr. SÖLENDIL** (Turkey), Rapporteur, introducing the draft report of the Board on its sixteenth session (IDB.16/L.1), said that, owing to time constraints, the report contained many blank spaces. The final report would, however, duly reflect the decisions adopted.

61. **The PRESIDENT** said that, if he heard no objections, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the close of the session.

62. *It was so decided.*

CLOSURE OF THE SESSION

A. Membership in UNIDO

63. **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77 and China, said that the Group of 77 and China had taken note with concern of the recent statement made to the media by Mr. Carl-Dieter Spranger, German Minister for Economic Cooperation and Development, that the Government of Germany was considering the possibility of withdrawal from membership of UNIDO. The Group expressed regret over the report and recalled that Germany had been one of the countries in the forefront of multilateral development cooperation and an important partner in the efforts of developing countries to achieve sustained socio-economic growth.

64. The Group reiterated its position that industrial development was a key component of any strategy for development, and recognized UNIDO as the specialized agency in the United Nations system in the field of industrialization, as had been repeatedly affirmed by the Group of 77 and China along with other delegations in various high-level forums.

65. The Group recognized the valuable role Germany had been playing in industrial development of developing countries and appealed for its continued partnership, particularly at a time when UNIDO had launched new major initiatives.

66. The Group believed that any consideration of withdrawal by a Member State such as Germany could result in a serious setback to the industrialization of developing countries and could have adverse consequences for the entire industrial development effort in the framework of multilateral development cooperation. It would also be inconsistent with the increasingly important role that Germany wished to play in the United Nations system.

67. The Group appealed to the Government of Germany to remain an active member of UNIDO and to continue its support to the industrial development of developing countries through UNIDO.

68. **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, said that the members of the Group wished to associate themselves with the sentiments just expressed.

69. **Mr. CURIA** (Argentina), speaking on behalf of the Latin American and Caribbean Group, supported the sentiments expressed.

70. **Mr. IKEDA** (Japan) said that his delegation shared the concerns expressed. UNIDO had undertaken a wide-ranging reform effort and he called upon Germany to work with UNIDO. The reform and refocusing of UNIDO were crucial and UNIDO had developed a clear identity. His delegation urged the Secretariat and other delegations to work together to achieve reform and ensure the effective use of contributions.

71. **Mr. LI Changhe** (China), speaking on behalf of the Asian Group, supported the views expressed by the representative of Pakistan on behalf of the Group of 77 and China. His delegation, along with many others, thought it important for Germany not to withdraw from the Organization. It would not be in line with the

position adopted by Germany to date and it would disappoint the developing countries, and possibly be a fatal blow to UNIDO.

72. **Ms. OK** (Turkey) said that her delegation shared the concern expressed. UNIDO was a forum for dialogue between the developed and developing countries and, if change was needed, then all Member States should discuss it.

73. **The PRESIDENT** read out the following statement:

> "I have noted with great concern the recent press statement emanating from a member of the Government of the Federal Republic of Germany suggesting that Germany might withdraw from UNIDO. The Federal Republic of Germany is one of the major contributors and has indeed been showing great commitment to its programmes and activities.
>
> "The news of such a possibility has aroused a vivid concern among UNIDO Member States and they hope that Germany will continue to play an active role in UNIDO which serves as a specialized agency in the United Nations system mandated to promote multilateral industrial development cooperation.
>
> "I therefore wish to appeal to the Government of the Federal Republic of Germany to continue to play this role."

B. Retirement of a UNIDO Managing Director

74. **The PRESIDENT** said that Ms. Tcheknavorian-Asenbauer, Managing Director, Industrial Sectors and Environment Division, who had been with UNIDO since its early days, would be retiring soon. He thanked her for her dedication and leadership and wished her and her family all the best in the years to come.

75. **Mr. DE MARIA Y CAMPOS** (Director-General) paid tribute to the long and distinguished service of Ms. Tcheknavorian-Asenbauer, who had joined UNIDO in 1970. She had been made Chief of the Pharmaceuticals Unit in 1978, and had gone on to become Head of the Chemical Industries Branch. In 1987 she had taken over the Industrial Operations Technology Division, and in 1994 had become Managing Director of the Industrial Sectors and Environment Division. Her time at UNIDO had been marked by her professionalism, hard work, idealism and dedication to the good of the Organization. He thanked her for her years of service and wished to honour her as the first UNIDO staff member to receive the new medal commemorating thirty years of UNIDO.

76. **Mr. AHMADI** (Islamic Republic of Iran) congratulated Ms. Tcheknavorian-Asenbauer on her achievements and presented her with a letter of recognition from the Ministry of Industry for her dedicated contribution to the Organization and to the developing countries.

77. **Mr. LI Changhe** (China), speaking on behalf of the Asian Group, **Mr. YENNIMATAS** (Greece), **Mr. HALIM MOHAMED** (Sudan), speaking on behalf of the African Group, **Mr. WORONJIECKI** (Poland), speaking on behalf of the Eastern European Group, **Mr. PUIG PINO** (Cuba), **Mr. CURIA** (Argentina), speaking on behalf of the Latin American and Caribbean Group, **Mr. PUTHO** (Observer for Thailand), **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria), **Mr. DE YTURRIAGA BARBERAN** (Spain), **Mr. FULLAM** (Observer for Ireland), speaking on behalf of the European Union, **Mr. VIERITA** (Romania), **Ms. HASAN** (Pakistan), speaking on behalf of the Group of 77, and **Mr. IKEDA** (Japan) commended Ms. Tcheknavorian-Asenbauer on her leadership and dedication, and on the impact of her work on the overall performance of UNIDO, especially with regard to programmes concerning the environment and the Montreal Protocol.

78. **Ms. TCHEKNAVORIAN-ASENBAUER** (Managing Director, Industrial Sectors and Environment Division) said that, after her twenty-six years of service to UNIDO, the Organization had become a place which she loved and treasured. She felt that she had had a rich career in UNIDO and had achieved all that was possible under the circumstances. She expressed her gratitude to Member States, which she regarded as the highest authority, to the Director-General, the executive directors and her colleagues for their indulgence and tolerance, and for having accepted her as a woman manager in an environment dominated by men. She stressed that she had dedicated her time to the United Nations Charter, which she had always regarded as the main driving force and guiding principle. Serving humanity should remain the ultimate target of the Organization, a goal from which she had derived great enrichment during her tenure with UNIDO. If she took anything with her, it was respect for people, their problems and destinies. Serving people was the ideal that should motivate the United Nations in all its endeavours.

79. Replying to the Representative of Austria, she explained that her developing country background had been enriched by her higher education in Austria at the

Technical University of Vienna, for which she wished to thank the Austrian Government and people and also her many friends. However, she had continued to represent the developing countries during her entire tenure with UNIDO. She wished to convey her profound acknowledgement to all delegations for their support of her Division's programmes. She stressed that the Organization had an important mandate to fulfil, i.e. the industrialization of developing countries. While the situation in some countries of Asia and Latin America had improved, Africa was still in need of UNIDO's strong support in the industrialization process. She hoped that all Member States would support UNIDO in the next thirty years. She once again expressed her gratitude to Member States and to the Director-General, and presented her booklet "My life with UNIDO" as a small gift.

C. Closing statements

80. **Mr. DE MARIA Y CAMPOS** (Director-General) said that during the session there had been an unequivocal and forceful recognition of the reform achievement of UNIDO. He had taken careful note of the wish expressed that the reform process should be seen as a permanent component of the Organization's activities in the future, with further focusing on areas of comparative advantage within the seven thematic priorities. While he believed that the main agenda of the reform process had been accomplished, he assured the Board that the spirit of reform would prevail.

81. He welcomed the positive comments and suggestions concerning the new format of the Annual Report, the proposals for the reorientation of the field representation programme, the revised medium-term programme framework and the programme for the least developed countries. He had been particularly gratified by the unanimous support expressed for the Alliance for Africa's Industrialization and would continue to develop the programme in close consultation with member countries in order to fulfil the goals and objectives of the Second IDDA. The support expressed for the investment promotion programme confirmed that UNIDO was on the right track in that area. He had been gratified by additional pledges to the Industrial Development Fund announced by various countries and thanked them for their support.

82. Turning to the financial situation of UNIDO and the preparations for the programme and budgets, 1998-1999, he said that it would be extremely difficult to maintain a budgetary ceiling of less than zero real growth without sacrificing substantive programmes. He would prepare his proposals in accordance with the established practice of budgetary recosting in respect of inflation but would also take into account the Board's requirements as well as external developments in order to ensure that the budget proposals were realistic.

83. The session was leaving UNIDO with contradictory signals. There had been clear messages of support from the various groups of countries, and UNIDO's new initiatives were recognized as going in the right direction. The Organization's prioritization and reform drive had also been acknowledged and the immense majority of Board members had renewed their commitment to UNIDO. The support of the Member States of UNIDO and the devoted work of the staff, who had shown a great capacity to adapt in the most difficult period of the Organization's thirty-year history, had made UNIDO's achievements possible. However, the signs of hope had been clouded by the recent press statement by the German Minister for Economic Cooperation and Development. That statement ran counter to everything that had been heard recently from the German Government and the strong support received from all Member States on the completion of the reform programme. It was astonishing to hear such an announcement on the same day that the European Union had issued a statement acknowledging that UNIDO had successfully completed its organizational reform and urging the Organization to move ahead and concentrate on its core mission. Should the Minister's recommendation become German policy, it would be a very sad day for the many developing countries and economies in transition which relied on UNIDO's support and advice in their efforts to achieve sustainable industrial development. He strongly urged Germany not to desert those who needed its support so much.

84. However, despite the news, he remained optimistic and expressed his appreciation for the support given by the Group of 77, Austria and many other Member States. He hoped that Member States would continue to defend the Organization and, as its Director-General, he remained committed to enhancing the Organization's work and strengthening UNIDO to enable it to achieve its objectives.

85. **The PRESIDENT** expressed his thanks to all who had contributed to the success of the session. The sixteenth session would be remembered as the one held during the week following the thirtieth anniversary of the Organization, and despite the tight schedule many substantive issues had been dealt with. The Board had reaffirmed its support for the continued reform of UNIDO. He hoped that the Secretariat would be able to prepare the programme and budget proposals for the 1998-1999 biennium taking into account the deliberations of the session. The need to strengthen the programme for African industrialization had also been emphasized, the new approach to field representation had been welcomed and the importance of strengthening

investment promotion had been stressed. The session's work would contribute to the success of the forthcoming General Conference session. However, Member States should also participate actively in the inter-sessional consultations on issues such as the timely payment of assessed contributions and the amendment of the financial regulations.

86. He declared the sixteenth session of the Industrial Development Board closed.

The meeting rose at 7 p.m.